

## Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 /011 R

66618

DRAFTED BY ARA/CEN/G:DCLARE:RMC

APPROVED BY ARA/CEN: LOWELL KILDAY

----- 049221

R 151809Z MAY 75

FM SECSTATE WASHDC

TO USCINCSO

C O N F I D E N T I A L STATE 111837

FOLLOWING REPEAT STATE 111837 SENT ACTION GUATEMALA DTD 14 MAY  
QUOTE:

C O N F I D E N T I A L STATE 111837

E.O. 11652: GDS

TAGS: PFOR, GT, US

SUBJECT: GUATEMALAN CASP: PRE-IG REVIEW

1. PRE-IG MET MAY 8 TO CONSIDER GUATEMALAN CASP. REVIEW  
UNCOVERED NO ISSUES REQUIRING RESOLUTION AT FORMAL IG MEET-  
ING. ACCORDINGLY PRE-IG WILL FORWARD DRAFT DECISION  
MEMORANDUM TO IG MEMBERS FOR APPROVAL.

2. PRE-IG ENDORSED, WITH DOD NON-CONCURRENCE, SECURITY  
ASSISTANCE PLANNING FIGURES. DECISION MEMORANDUM WILL  
STATE IG POSITION AND DOD NON-CONCURRENCE, AND REFER ISSUE  
TO SAPRC (SECURITY ASSISTANCE PROGRAM REVIEW COMMITTEE)  
FOR RESOLUTION. THIS PROCEDURE RECOGNIZES WHAT HAS BEEN  
DE FACTO DISPOSITION OF SIMILAR DISAGREEMENTS IN NUMBER OF  
COUNTRIES IN PREVIOUS YEARS.

3. NSC/IG REQUESTED DIS-  
CUSSION OF REVENUE ISSUE. THERE WAS CONSENSUS THAT GOG  
PERFORMANCE ON TAXES DEPLORABLE, BUT THAT USG ABILITY TO  
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INFLUENCE GOG WAS LIMITED. PRE-IG RECOGNIZED THAT AID

PROGRAM PER SE IS NOT EFFECTIVE LEVER FOR OBTAINING OVERALL FISCAL REFORM. ATTENTION DIRECTED TOWARD COUNTERPART QUESTION, AND DESIRABILITY OF SETTING VARIOUS MINIMUM COUNTERPART LEVELS CONSIDERED. PRE-IG EVENTUALLY AGREED THAT RECENT GOG RECORD ON COUNTERPART TO AID LOANS HAS BEEN

GOOD AND THAT SETTING FIXED PERCENTAGE FLOOR WOULD REMOVE FLEXIBILITY NEEDED TO GET BEST MIX OF RESOURCES IN GIVEN LOAN AND WOULD, IN EFFECT, MARK UPPER RATHER THAN LOWER LIMIT -- WHICH NOT INTENT. DECISION MEMORANDUM WILL REFLECT, HOWEVER, IG'S REAL CONCERN AT GOG PERFORMANCE IN REVENUE FIELD AND DIRECT MISSION TO MAINTAIN COUNTERPART AT LEVELS OF RECENT PAST, BARRING STRONG JUSTIFICATION FOR EXCEPTIONS IN SPECIFIC CASES. YOU WILL ALSO BE CALLED UPON TO KEEP USG CONCERNS BEFORE GOG OFFICIALS. FINALLY, ARA/CEN WILL BE INSTRUCTED TO TAKE LEAD IN COORDINATING WASHINGTON EFFORTS TO ENSURE THAT OTHER IFI'S DO NOT LOSE SIGHT OF PROBLEM.

4. FYI: CEPICIES MEETING ON GUATEMALA, MAY 8, CONFIRMED EFFECTIVENESS OF CEN APPROACHES TO IBRD, IMF ON THIS QUESTION. CEPICIES MEETING WITH GOG WILL STRESS REVENUE ISSUE STRONGLY. KISSINGER

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